





Name: \_\_\_\_\_

Team: \_\_\_\_\_

## Unit 4: Aggregate Demand, Aggregate Supply, and Fiscal Policy

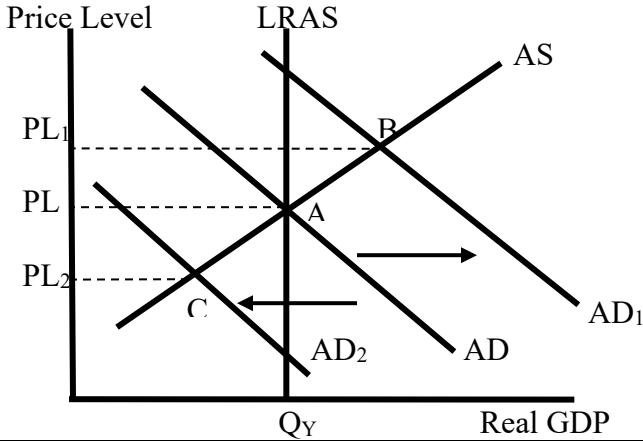
AD , AS, and LRAS*	Short Run vs. Long Run Aggregate Supply*
<p style="text-align: center;">Draw the economy at full employment</p> <p>Price Level</p>  <p style="text-align: right;">Real GDP</p>	<p>1. In the short run,</p> <p>2. In the long run,</p>
	<b>Shifters of AD and AS</b>
	Shifters of Aggregate Demand
	1. _____ 3. _____
	2. _____ 4. _____
	Shifters of Aggregate Supply
	1. _____ 3. _____
	2. _____ 4. _____
Recessionary Gap*	Inflationary Gap*
<p style="text-align: center;">Draw the economy in a recession</p> <p>Price Level</p>  <p style="text-align: right;">Real GDP</p>	<p style="text-align: center;">Draw the economy beyond full employment</p> <p>Price Level</p>  <p style="text-align: right;">Real GDP</p>
Classical vs. Keynesian*	Fiscal Policy
<p style="text-align: center;">Draw and label the three ranges of the AS curve</p> <p>Price Level</p>  <p style="text-align: right;">Real GDP</p>	<p>Discretionary Fiscal Policy-</p> <p>Non-Discretionary Fiscal Policy-</p>
	<b>Government Spending and Taxation</b>
	Expansionary Fiscal Policy-
	1.
	2.
	Contractionary Fiscal Policy-
	1.
	2.

Name: \_\_\_\_\_

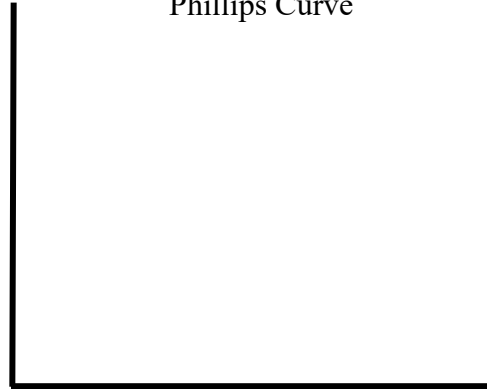
Team: \_\_\_\_\_

**Short Run and Long Run Phillips Curve**

Draw and label the short and long run Phillips curve. Label points A, B, and C based on the changes in AD

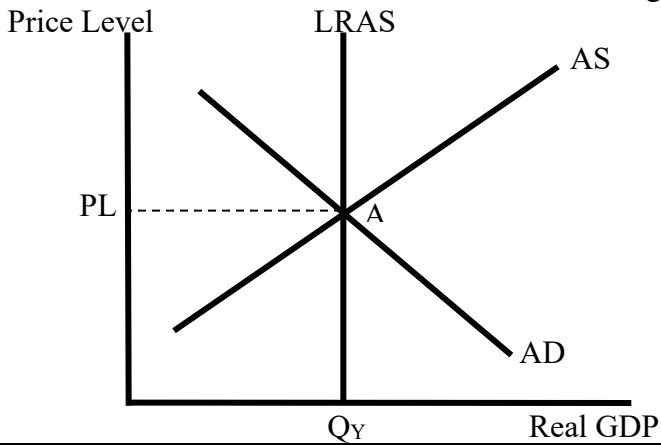


Phillips Curve

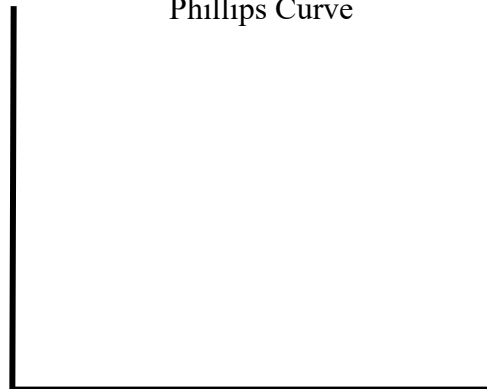


Draw and label the short and long run Phillips curve and label point A.

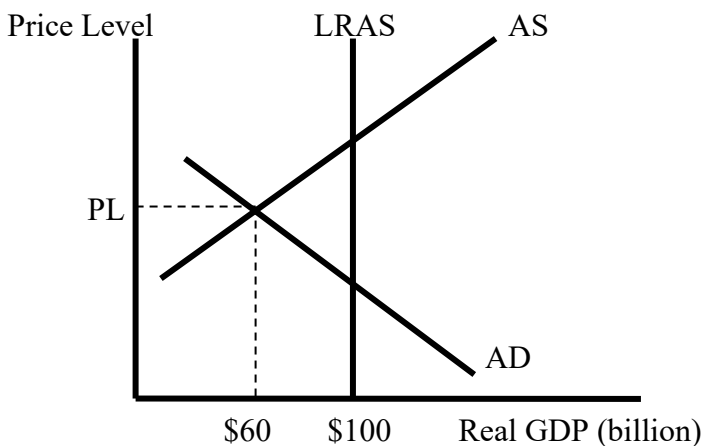
Show the result of a negative supply shock on both graphs



Phillips Curve



**Spending Multiplier Practice\***



1. What type of gap?
  2. To close the gap the government could \_\_\_\_\_ spending or \_\_\_\_\_ taxes on consumers
- Assume the MPC is .5:**
3. How much should the government increasing spending to close the gap?
  4. How much should the government cut taxes to close the gap?
- Now assume that the MPC is .8:**
5. How much should the government increasing spending to close the gap?
  6. How much should the government cut taxes to close the gap?

**Problem with Fiscal Policy**

1. Deficit Spending-
2. Time Lags-
3. Crowding out-